



FEATURES OF ACTIVITIES OF CREDIT UNITS ON THE SERVICES OF
NON-BANK FINANCIAL - CREDIT INSTITUTIONS

Kholodylova Anna

PG student, Kyiv National Trade and Economic University

Kyiv, Ukraine

anna_holodilova@ukr.net

Abstract

The analysis of the current state of the main representatives of the non-banking sector of Ukraine – credit unions. The main problems of credit co-operation are outlined. It is established that the development of national credit unions is currently under conditions of financial instability, imperfection of legislation, reduction of solvency and public confidence in financial and credit institutions. As a result, in recent years, the quality system of credit unions has shown a decrease in the main indicators of its activity.

It is proved that the financial nature of the activities of credit unions makes them similar to other participants in the financial market. The common thing is that they all operate on the market as financial intermediaries, created to meet the needs of consumers in financial resources. They have the opportunity to accumulate funds from those who currently have their surplus and pass on to those who are in urgent need of financial resources. The fundamental difference between these structures is the purpose of each of them: the profit for other non-bank financial and credit institutions and the provision of financial services - for credit unions.

Key words: non-bank financial and credit institutions, credit unions, liquidity, financial stability.

I. INTRODUCTION

The system of crediting of individuals of a cooperative type, which started its orderly functioning with the adoption of the Law of Ukraine "On Credit Unions" (2001), in recent years has shown relatively stable performance. The number of members of credit unions, the value of assets, the value of capital, demand for services remained almost unchanged. Changes in the environment, including the manifestations of the global financial crisis, military aggression, internal political and economic factors, have negatively impacted on the activities of credit unions. Significant was the outflow of funds from deposit accounts of members of these financial institutions, the volume of debt arrears increased, the share of overdue loans increased, etc. In this context, the study of the status and peculiarities of the activities of credit unions in the market of services of non-bank financial and credit institutions becomes especially relevant.



II. LITERATURE REVIEW

Such domestic scientists as I. Abramova, V. Mishchenko, S. Naumenkova, and others made a significant contribution to the research of problems of credit-cooperative movement in Ukraine. The activities of credit unions are devoted to the works of V. Goncharenko, S. Mishchenko, S. Naumenkova, I. Shumylo and others [1, 3, 6, 9, 10, 11].

S. Naumenkova paid much attention to the study of the organization of the activities of credit unions in accordance with the cooperative principles [10]. I. Shumylo researched modern trends in the development of credit unions and determined the priority directions of their activities in the future [11]. A. Fire disclosed the actual problems of the activity of credit unions in the conditions of the economic crisis and drew attention to the possibility of emerging from the crisis and increasing public confidence in the activities of credit unions in Ukraine [7]. At the same time, not all issues related to the activity, place and role of credit unions in the market of services of non-bank financial and credit institutions are sufficiently studied and resolved, which indicates the need for a separate study in this direction.

III. OBJECTIVES

The purpose of the study is to determine the role, place and peculiarities of the activities of credit unions in the market of services of non-bank financial and credit institutions.

The object of research is the process of development of credit unions in the financial services market of Ukraine.

The theoretical analysis of the questions raised in the study was carried out according to the general methodological scheme of the system approach, according to which in every phenomenon under consideration, factors of its system integrity, structural-functional organization, integration into a system of higher order are substantiated. Methods for solving individual problems were: abstract-logical, synthesis, comparative analysis, computational-constructive, statistical-economic, graphic, etc.

III. RESULTS

In accordance with the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets", a financial institution is a legal entity that provides one or more financial services and is entered in a relevant register [5]. Financial institutions include both banking and non-bank financial and credit institutions. The main tasks of the latter are the accumulation of temporarily free financial resources of individuals and legal entities, lending to certain spheres of the economy and types of economic activity, satisfaction of the needs of certain groups of people in loan funds, the provision of mortgage and consumer loans, the implementation of mutual assistance operations, etc. Non-bank financial institutions specialize in performing multiple operations or servicing a limited number of clients. Narrow specialization, servicing those sectors of the market where special knowledge or technical techniques are needed are signs that fundamentally distinguish these institutions from banks.



Today, the non-bank financial and credit sector of Ukraine has 462 credit unions (Table 1) [8]. They are a fairly large group among other non-bank lenders.

Table 1. The dynamics of the main indicators of the activity of credit unions, at the end of the relevant period

| Indicator | 2014 | 2015 | 2016 | Growth rates, % | |
|---|---------|--------|--------|-----------------|-----------|
| | | | | 2015/2014 | 2016/2015 |
| The number of registered credit unions | 589 | 588 | 462 | -0,2 | -21,4 |
| Number of members of credit unions, thousand persons | 821,6 | 764,6 | 642,9 | -6,9 | -15,9 |
| The number of members of credit unions having contributions to deposit accounts, thousand persons | 31,5 | 26,5 | 41,1 | -15,9 | 55,1 |
| The number of members of credit unions with existing credit agreements, thousand persons | 186,6 | 162,2 | 148,6 | -13,1 | -8,4 |
| Total assets, UAH million | 2 338,7 | 2064,3 | 2032,5 | -11,7 | -1,5 |
| Capital, UAH million | 1 048,7 | 1040,9 | 1044,4 | -0,7 | 0,3 |
| Loans granted to members of credit unions, UAH million | 1 994,4 | 1792,7 | 1799,5 | -10,1 | 0,4 |
| Contributions of members of credit unions to deposit accounts, UAH million | 989,8 | 855,2 | 831,8 | -13,6 | -2,7 |

* Made by the author on the basis of [8]

The financial nature of the activities of credit unions makes them similar to other participants in the financial market. The common thing is that they all operate on the market as financial intermediaries, created to meet the needs of consumers in financial resources. They have the opportunity to accumulate funds from those who currently have their surplus and pass on to those who are in urgent need of financial resources. The fundamental difference between these structures is the purpose of each of them to profit – for other non-bank financial and credit institutions and financial and credit services of its members - for credit unions. As the world experience shows, they are a reliable means of financial support of the population and increase and improve its welfare. The main task of credit unions is to provide fast and relatively inexpensive services related to the lending of consumer and other needs of its members and the placement of their funds on deposit accounts. The work of credit unions is directed not so much at fulfilling financial and economic functions as on a certain social protection of its participants. Such opportunities open the cooperative nature of the credit union.

Today, the development of national credit unions takes place in conditions of financial instability, imperfect legislation, reducing the solvency and confidence of the population to the financial credit institutions. This situation has a significant impact on both quantitative and qualitative indicators of their work. Thus, according to the data of the National Commission



that carries out state regulation in the field of financial services markets, at the beginning of 2017, the number of credit unions was 462, which is 22% less compared to the same date in 2015 [2]. When assessing the factors that affected the decrease in the number of these credit institutions, it should be taken into account that some credit unions are in the occupied territories of the Donbas and the Autonomous Republic of Crimea and are temporarily forced to discontinue their activities or not transfer the reporting data.

Qualitative indicators of the activity of credit unions have also undergone some changes: in particular, the tendency towards a decrease in the total volume of assets and capital has changed. In 2016, its capital credit unions formed 45% - at the expense of unit contributions members, 43% - at the expense of reserve capital and 5% - at the expense of additional capital [2]. Credit unions offer their members a fairly varied loan program. The most popular loans are unions for consumer needs (Figure 1), their share in 2016 was 58.6%. The second place is loans for the purchase, construction and repair of real estate - 20.6%. As in previous periods, the lending to peasant and farm holdings has a small share in the total volume of loans issued (12.6%). The most risky are commercial loans, which are overdue for more than three months, but their share has decreased by 12% from the previous year.

According to the National Financial Services Commission, the range of weighted average interest rates on loans granted to members of credit unions in 2016 is quite wide.

The largest number of credit unions (115) provide loans at an average weighted rate ranging from 40% to 50% per annum. In the structure of credit and deposit portfolios of credit unions, a significant proportion is borrowed and deposits with a maturity of more than 12 months and a period of 3 to 12 months. In 2016 46.4% of the total loan portfolio was loans with a maturity of more than 12 months, 51.5% borrowed loans with a maturity of 3 to 12 months [8]. It should be noted that long-term loans, credit unions are often financed by medium-term deposits, which significantly impair their liquidity. It is expedient to finance long-term loans at the expense of long-term deposits (deposits) on deposit accounts. In general, the compliance of the loan portfolio of deposits by the terms of any financial -credit institution is considered more secure, since it does not create problems with liquidity.

IV. CONCLUSION

Thus, the study made it possible to establish that credit unions are the most numerous group among non-bank financial and credit institutions. At the same time, in recent years there has been a tendency towards a decrease both in their total number and number of members, in the deterioration of the quality of deposit and loan portfolios (outflow of funds from customer deposit accounts, increase in loan arrears and the proportion of overdue loans). However, in 2016, the overall trend has changed and one can observe an increase in the volume of capital and assets. The reason for this can be called a significant increase in the number of people placing their deposits on deposit conditions. It is revealed that the main reasons for the inhibition of such a trend in the future are political and financial and economic instability in the state, the imperfection of the legal field of the activity of credit unions, and the reduction of the solvency and trust of the population to financial and credit institutions, including the cooperative type . It is substantiated that in order to strengthen the competitive position in the



market of services of non-bank financial institutions, credit unions should pay more attention to the needs of their members, reduce the cost of services, improve their quality. Additional benefits to credit unions can simplify the procedure for issuing loans and establish a system for guaranteeing repayment of loans.

Further research requires a generalization of the world experience of functioning of credit unions with the aim of its adaptation for the national system of crediting cooperative direction.

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